HESSEQUA MUNISIPALITEIT

AGENDA

SPESIALE RAADSVERGADERING

MAANDAG 30 MEI 2016
OM 14:00

HESSEQUA MUNISIPALITEIT
2016 -05- 31
Posbus 29, Riversdal 6670

27 Mei 2016

Raadslede
Hessequa Munisipaliteit
Posbus 29
RIVERSDAL
6670

Kennis geskied hiermee van 'n Spesiale Raadsvergadering van Hessequa Munisipaliteit wat gehou sal word op:

Maandag

30 Mei 2016

om 14:00

in die Raadsaal , Burgersentrum, Van den Bergstraat, RIVERSDAL, om die ondergenoemde sake te bespreek.

Die uwe

MNR J JACOBS
MUNISIPALE BESTUURDER

HESSEQUA MUNISIPALITEIT
2016 -05- 31
Posbus 29, Riversdal 6670

AGENDA

1. **OPENING EN VERWELKOMING**

2. **KONSTITUERING / AANSOEKE OM VERLOF**

3. **VERKLARINGS EN MEDEDELINGS DEUR DIE SPEAKER**

4. **VERKLARINGS EN MEDEDELINGS DEUR DIE UITVOERENDE BURGEMEESTER**

5. **SAKE VIR BESPREKING**

   5.1 MTREF BUDGET 2016/2017 5

HESSEQUA MUNISIPALITEIT
2016 -05- 31
Posbus 29, Riversdal 6670

5. SAKE VIR BESPREKING

HESSEQUA MUNISIPALITEIT
2016 -05- 31
Posbus 29, Riversdal 6670

5.1 MTREF BUDGET 2016/2017

File number / Verwysingsnommer: 5/1/1

Meeting date / Vergadering datum: 30 May 2016

Report by / Verslag deur: WF Bérgh

STRATEGIC PURPOSE / STRATEGIESE REDE

Efficient, cost effective and best quality service delivery through good financial management.

PURPOSE OF REPORT / DOEL VAN VERSLAG

To table the MTREF budget for the 2016/17 financial year for approval.

BACKGROUND AND DISCUSSION / AGTERGROND EN BESPREKING

In terms of section 160 (3)(b) of the Constitution of the Republic of South Africa 1996, the MTREF budget must be approved by a decision taken by Council with a supporting vote of a majority of its members.

1. **MAYORS 2016/17 BUDGET SPEECH**

   The Mayor's budget speech is part of the budget report.

2. **BUDGET 2016/2017**

   See the following ATTACHED documents:

   - Budget Report
   - Annexure A (Tariffs)
   - Annexure B (Budget related Policies & By-Laws)
   - MTREF & National Treasury formats
   - Annexure C - Circular No 82
   - Annexure D - Inputs to the 2016/17 draft budget
   - Annexure E - Comments to the 2016/17 budget

3. **BUDGET RELATED POLICIES**

The following policies/by-laws were reviewed and work shopped with the public:

3.1 Property Rates Policy & By-Law

HESSEQUA MUNISIPALITEIT
2016 -05- 31
Posbus 29, Riversdal 6670

Prescribes uniform rates structures to give effect to its strategic objectives in terms of the IDP and budget requirements.

3.2 Credit Control and Debt Collection Policy & By-Law

Sets a revenue collection target and outlines how the municipality will act against defaulters. It also specifies the framework for providing relief from the burden of rates and tariffs to registered or otherwise identified indigents.

3.3 Indigent Policy

Ensures that the subsidy scheme for indigent households, forms part of the financial management system of the Municipality and also ensures that the same procedures are followed for each individual case.

3.4 Principles and Policy on Tariffs and Free Basic Services Policy & By-Law

Prescribes uniform tariff structures on the levying of fees for municipal services.

3.5 Supply Chain Management Policy

Demand, acquisition, disposal and logistics regarding the procurement of goods and services.

3.6 Liquidity- and Borrowing Funds & Reserve Policy

These two policies were work-shopped with the budget committee and it was resolved to amend paragraph 4.2 (c) (iii) of the Borrowing Funds and Reserve Policy to read: "*that the long term debt to total operating revenue (~~excluding~~) including conditional grants and transfers not to exceed 35%.*"

The following policies were not reviewed as it is not necessary (reviewed last year). No public participation is required.

3.7 Cash Management and Investment Policy

The policy is aimed at gaining the optimal return on investments, without incurring undue risk during those periods when cash revenues are not needed for capital or operational purposes.

3.8 Asset Management Policy

Includes depreciation norms and maintenance requirements.

HESSEQUA MUNISIPALITEIT
2016 -05- 31
Posbus 29, Riversdal 6670

3.9 Virement Policy

The policy is aimed at virement of Council's budget during the year.

4. TARIFF INCREASES

4.1 PROPERTY RATES

• Residential	7,0%
• Business	7,0%
• Government	7,0%
• Rural	7,0%
• Vacant Stands	7,0%

4.2	**WATER**	7.0%
4.3	**ELECTRICITY**	7.64% (average)
4.4	**REFUSE**	7.0%
4.5	**SEWERAGE**	6.0%
4.6	**SUNDRY TARIFFS**	8.0%
4.7	**RENTALS**	Per Contracts

5. REBATES

The budget makes provision for the following categories of rebates:

Rates

- Pensioners: Property Rates Rebates

(a)	Income less than R3 100 p. m	25%
(b)	Income above R3 101 p.m.to R8 000 p.m.	15%

HESSEQUA MUNISIPALITEIT
2016 -05- 3
Posbus 29, Riversdal 6670

(Persons 60 years and older)

The following rebates for pensioners with an income less or equal to **R8 000** p.m. additional to (a) and (b) on the diminishing balance according to their age:

- 61 years to 75 years 25%
- 76 years to 85 years 35%
- 86 years and older 40%

6. INDIGENT SUBSIDY

The budget makes provision for the following categories of indigent subsidy:

Category A:

- Income per household – R3 100 p.m.
- Water – 6kl per household
- Electricity – 50kwh
- 100% rebate – Property Rates, Sewerage-, Refuse- and Water- basic fees

Category B:

- Income per household – R3 101 p.m. – R3 500 p.m.
- Water – 6kl per household
- Electricity – 50kwh
- 50% rebate – Property Rates, Sewerage-, Refuse- and Water- basic fees

Category C – Care Centres/Old Age Homes

- R 150,00 per person per month whose income does not exceed R3 500 p.m.

Category D – Tenants not receiving municipal accounts

- As per Category A or B

Category E – Churches

- 100% rebate on basic services for water, sewerage and refuse if 50% of the members qualify as indigents.

HESSEQUA MUNISIPALITEIT
2016 -05- 31
Posbus 29, Riversdal 6670

7. ADJUSTMENTS / CORRECTIONS TO DRAFT BUDGET

The following adjustments/corrections have been made on the approved draft Budget.

Operating Budget	
Expenditure – Total of approved draft budget	R421 336 856
Maintenance sewerage network – Gouritsmond – Dam	R 150 000
Contract Fire Brigade	R 500 000
Blue Flag Beaches	R 272 964
Abor City Award – Roll Over	R 200 000
LG SETA – Grant Roll Over	R 120 000
Helix – Grant Roll Over	R 200 000
Other	(R 700)
Total	R422 779 120
Revenue - Total of approved draft budget	R503 752 744
Abor City Award – Roll Over	R 300 000
LG SETA – Grant Roll Over	R 120 000
Helix – Grant Roll Over	R 200 000
Total	R504 372 744
Surplus	R 81 593 624
Capital Budget	
Total	R 158 442 361
Abor City Award – Roll Over	R 100 000
(LED lights at entrance of 4 Towns)	
Total	R 158 542 361

HESSEQUA MUNISIPALITEIT
2016 -05- 31
Posbus 29, Riversdal 6670

EXECUTIVE MAYORAL COMMITTEE

The item served on the Executive Mayoral Committee meeting of 24 May 2016 and feedback will be given at the Council meeting.

COMMENTS: MUNICIPAL MANAGER / KOMMENTAAR: MUNISIPALE BESTUURDER

All due processes were followed to ensure a budget that is affordable and addresses the needs of the community. The Hessequa financial plan was used as the guiding document to ensure continued financial stability and financial viability. The recommendations are supported.

COMMENTS: DIRECTOR CORPORATE SERVICES / KOMMENTAAR: DIREKTEUR KORPORATIEWE DIENSTE

Noted.

COMMENTS: DIRECTOR FINANCE / KOMMENTAAR: DIREKTEUR FINANSIES

- Comments in connection with the budget, is fully detailed in the attached budget report.
- The following circulars from National Treasury have been used as the basis for compiling the budget: No's 48, 51, 54, 55, 66, 67, 70, 72, 74, 75, 78, 79, 80 and 82.
- Section 8.3 of Circular 67 alludes to the certification of the approved budget, as well as the control over budget amendments by the CFO. It states the following:

"Once the municipal council has adopted the municipal budget in the format of Schedule A the relevant portions of the budgets reflected in Tables A1 to A10 need to be captured on the municipality's financial system so that the municipality can manage its revenue and expenditure against the adopted budget. It has come to National Treasury's attention that many municipalities do not capture their adopted budgets on their financial system, and even those that do, do not 'lock' the adopted budget – meaning that the budget reflected on the system can be changed at any time without following due process."

To eliminate this bad practice, National Treasury hereby requests the Accounting Officer of each municipality, in terms of Section 74 of the MFMA, to provide a signed certificate by no later than 15 July 2016 certifying that:

1. The adopted annual budget has been captured on the municipality's financial system, and that there is complete agreement between the budget on the system and the budget adopted by council;

2. That the adopted annual budget on the municipality's financial system is locked; and

HESSEQUA MUNISIPALITEIT
2016 -05- 31
Posbus 29, Riversdal 6670

3. That the municipality has in place controls to ensure that the budget captured on the financial system can only be changed in accordance with:

"a) a virement authorised by the municipal manager, or duly delegated official, in terms of a council approved virements policy; and

b) an Adjustments Budget approved by council."

Amendments to the budget must be kept to a minimum, and if there are any, the correct procedures must be followed.

- The budget, excluding capital contributions and including VAT on capital contributions, reflects a deficit of approximately R11 million. The main reason for this deficit, is as a result of the increased provision for landfill sites. This is a non-cash item for Council. The provision will partially be recovered annually from tariffs.
- Council's revenue is under threat, because of a limited revenue base. Capital investment in Stilbaai is favoured to ensure that the revenue base can be increased and tariffs can be stabilised.
- The calculation of the capital contributions will be investigated during the 2016/2017 financial year, as well as the formulation of a policy that will regulate contributions.
- Free basic services (indigents) is recovered from revenue over the MTREF period and not reflected as expenditure as in the previous MTREF period. This is consistent with the disclosure in the Annual Financial Statements.

COMMENTS: DIRECTOR PLANNING AND ENVIRONMENTAL AFFAIRS / KOMMENTAAR: DIREKTEUR BEPLANNING EN OMGEWINGSAKE

COMMENTS: DIRECTOR TECHNICAL SERVICES / KOMMENTAAR: DIREKTEUR TEGNIESE DIENSTE

COMMENTS: DIRECTOR COMMUNITY SERVICES / KOMMENTAAR: DIREKTEUR GEMEENSKAPSDIENSTE

COMMENTS: LEGAL SERVICES / KOMMENTAAR: REGSDIENSTE

RECOMMENDATION / AANBEVELING

1. That the project description on the Capital budget (reference 10.25) be changed from N2 Access Road to Trevor Waterboer Road in Theronsville, Albertinia.

2. That the operating budget be approved as follows:

HESSEQUA MUNISIPALITEIT
2016 -05- 31
Posbus 29, Riversdal 6670

	Budget 2016/2017	Budget 2017/2018	Budget 2018/2019
Total revenue	504 372 744	416 856 490	444 397 156
Total expenditure	422 779 120	434 911 127	473 307 467

(Including capital transfers and excluding internal transfers)

3. That the following tariff increases for 2016/17 be approved:

3.1 PROPERTY RATES

- Residential 7,0%
- Business 7,0%
- Government 7,0%
- Rural 7,0%
- Vacant Stands 7,0%

3.2 WATER 7.0%

3.3 ELECTRICITY 7.64% (average)

3.4 REFUSE 7.0%

3.5 SEWERAGE 6.0%

3.6 SUNDRY TARIFFS 8.0%

3.7 RENTALS Per Contracts

4. That the tariffs as set out in Annexure A, be approved with effect from 1 July 2016.

5. That the electricity tariffs be approved, subject to NERSA's approval.

6. That the 2016/17 capital budget be approved and financed as follows:

	Budget 2016/2017	Budget 2017/2018	Budget 2018/2019
Capital Expenditure	158 542 361	117 329 000	84 317 900
Finance Source			
CRR	7 529 500	4 123 600	2 405 500
External Loans	45 846 900	97 476 600	68 180 000

HESSEQUA MUNISIPALITEIT
2016 -05- 31
Posbus 29, Riversdal 6670

Grants and Public Contributions and Donations	105 165 961	15 728 800	13 732 400

7. That the budget related policies & By-Laws as set out in Annexure B, be approved.

7.1 Property Rates By-Law (B1)

7.2 Property Rates Policy (B2)

7.3 Indigent Policy (B3)

7.4 By-Law on Credit Control and Debt Collection (B4)

7.5 Credit Control and Debt Collection Policy (B5)

7.6 Principles and By-Law on Tariffs and Free Basic Services (B6)

7.7 Principles and Policy on Tariffs and Free Basic Services (B7)

7.8 Cash Management and Investment Policy (B8)

7.9 Asset Management Policy (B9)

7.10 SCM Policy (B10)

7.11 Virement Policy (B11)

7.12 Liquidity Policy (B12)

7.13 Borrowing Funds and Reserve Policy (B13)

HESSEQUA MUNISIPALITEIT
2016 -05- 31
Posbus 29, Riversdal 6670

8. That the MTREF and National Treasury formats as attached, be approved.

9. That the cost-containment recommendations by National Treasury, as contained in Circular No 82 of 2016, be adopted.

10. That the Accounting Officer, in terms of section 74 of the MFMA, provides a signed certificate by no later than 15 July 2016 certifying that:

10.1 The adopted annual budget has been captured on the municipality's financial system, and that there is complete agreement between the budget on the system and the budget adopted by Council.

10.2 The adopted annual budget on the municipality's financial system is locked.

10.3 The municipality has controls in place to ensure that the budget captured on the financial system, can only be changed in accordance with:

"10.3.1 A virement authorised by the Municipal Manager, or duly delegated official, in terms of a Council approved Virements Policy; and

10.3.2 An Adjustments Budget approved by Council."

ATTACHMENTS / STAWENDE DOKUMENTE

Budget Report

Annexure A (Tariffs)

Annexure B (Budget related Policies & By-Laws)

MTREF & National Treasury Formats

Annexure C - Circular No 82

Annexure D - Inputs to the 2016/17 draft budget

Annexure E - Comments to the 2016/17 budget

HESSEQUA MUNISIPALITEIT
2016 -05- 31
Posbus 29, Riversdal 6670